# **DOE Cost Study Template Summary**

A DOE Cost Study Template has been developed by MA-631 that contractors may use to prepare spreadsheets for the annual Employee Benefits Cost Study Comparison to assist with the analysis of the contractor's employee benefits cost for incumbent and non-incumbent employees by showing benefit costs on a per capita basis per full time equivalent employee (FTE) and as a percent of payroll, and comparing it with costs reported by the U.S. Department of Labor's Bureau of Labor Statistics (BLS). The template uses BLS table data and DOE Workforce Information System (WFIS) data as inputs. The template includes a tab with cost study results that meet the contractual requirements and are consistent with the methods used previously, along with a tab containing proposed cost study results that provide more meaningful information.

#### Data

The BLS publishes a broad based national survey of Employer Costs for Employee Compensation (ECEC). The tables have employer costs per hour for employer compensation and costs as a percent of total compensation. BLS Table 5 has costs for "private industry workers by major occupational group" and Table 8 has costs for "private industry workers by establishment employment size." The template uses a weighted average of the costs for "management, professional, and related occupations" from Table 5 and "establishments with 500 workers" or more from Table 8. The weights are 40% for Table 5 and 60% for Table 8. The spreadsheet uses the data entered in WFIS from the Compensation & Benefits Profile Report that can be exported to Excel then pasted as values in the WFIS Data tab. Severance pay, relocation, and education costs are subtracted from the WFIS gross payroll. Total costs are converted to costs per FTE based on 2,080 hours per year being equivalent to one FTE. The tab on the spreadsheet with the proposed cost study has a cell for inputting the defined benefit (DB) plan normal cost.

### **Payroll and Benefits**

Payroll is equal to wages and salaries plus costs for paid leave and supplemental pay. The benefits included in the cost study ratio are paid leave, insurance, and retirement and savings benefits. Total compensation equals payroll plus insurance, retirement and savings, and legally required benefits. Paid leave is a benefit that is included in payroll. Payments for insurance, retirement and savings, and legally required benefits are included in total compensation but not in payroll.

## **Pension and Retiree Medical Costs**

Cost for the DB plans and other post-employment benefits (OPEB), including retiree medical and dental costs, distort the annual cost assigned to active employees in the cost study under the previously used methods. While DB and OPEB costs for active employees are best represented by the normal cost; the DB costs in WFIS typically include the normal cost plus an amortization payment, and OPEB costs in WFIS are typically pay-as-you-go. The tab with the proposed cost study uses the DB normal cost rather than the contributions and excludes retiree medical and dental costs.

### **Cost Ratios**

The spreadsheet calculates the percent above average for the cost of benefits as a percent of payroll for the contractor, over the cost of benefits as a percent of payroll using the BLS tables, as well as the per capita cost ratio. The Contracting Officer may require corrective action when the percent above average benefit cost as a percent of payroll exceeds the comparator group by more than five percent, or the average total benefit per capita cost is greater than 105%.